

[Redacted]

23 March 1949

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Office of the General Counsel

1. Attached hereto is a proposed letter to [Redacted] on the basis of the enlargement of [Redacted]

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2. R&D contracts ordinarily contemplate a presentation to the Government by the prime contractor of his arrangements with subcontractors with regard to the form and substance thereof. The Contracting Officer's approval should be dependent on the basis of an adequate presentation. Therefore, the applicable statements made in the proposed letter are suggestive since further details may be available elsewhere.

3. The elimination of the subcontract from the enumerated costs for the purpose of computing the fixed fee is assumed to be correct, though not necessarily under appropriate circumstances.

4. You may wish to alert the prime contractor, either formally or informally, as to his responsibility to include audit rights in its subcontracts (Article 10, R.D.-3).

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25 YEAR RE-REVIEW